



**The State of New Hampshire
Insurance Department**

56 Old Suncook Road
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**Roger A. Sevigny
Commissioner**

BULLETIN

Docket Number: INS 04-022-AB

TO: All Licensed Life Insurance Companies

DATE: June 18, 2004

FROM: Roger A. Sevigny, Commissioner

A handwritten signature in black ink, appearing to read "RAS", with a stylized flourish at the end.

RE: Implementation of Revisions to the Annuity Nonforfeiture Law (SB 371)

BACKGROUND

Chapter 187, Section 3 amends RSA 409-A:4, the Standard Nonforfeiture Law for Individual Deferred Annuities. This law implements the amendments adopted by the National Association of Insurance Commissioners' (NAIC) to its Model Law for Individual Deferred Annuities. Pursuant to HB1282, Chapter 210, Section 4, this law becomes effective July 1, 2004.

The major change effectuated by the law is the determination of the interest rate that is to be used for determining the minimum nonforfeiture amount. Flexible premium contracts, or other annuity contracts that specify a minimum guaranteed interest rate that is used for calculating a cash surrender value, shall use a minimum guaranteed rate that is no less than the interest rate that is to be used for determining the minimum nonforfeiture amount.

APPLICABILITY

All policies issued on or after July 1, 2004, must comply with the new law. Any policy that is renewed on or after July 1, 2004, where the guaranteed interest rate is redetermined, shall comply with the new law.

DETERMINING THE INTEREST RATE RELATIVE TO THE 5-year CONSTANT MATURITY TREASURY RATE

The interest rate used in determining the minimum nonforfeiture amounts involves a rate that is based on the 5-year Constant Maturity Treasury (CMT) Rate.

The 5-year Constant Maturity Treasury Rate is reported each business day by the US Department of Treasury. The rate that is based on the 5-year Constant Maturity Treasury Rate (CMT) shall be such that it moves up or down in a manner that is consistent with the 5-year CMT.

If a carrier determines the rate as of a fixed date, that date shall be within 15 months of the annuity contract's issue date, or, in the case of redetermination at renewal, the contract's renewal date.

If a carrier determines the rate as an average over a period certain, the beginning of the period certain must be within 15 months of the annuity contract's issue date, or, in the case of redetermination at renewal, the contract's renewal date.

The carrier may not base the rate on the lowest 5-year CMT rate over a period certain.

The carrier may establish a basis that is predicated on a de minimus change in the 5-year CMT rate. However, the threshold for determining a de minimus change may not exceed 25 bp.

Carriers may make changes to the method for determining the rate based on the 5-year CMT, but shall not make more than one change in any 12-month period.

REQUIRED DOCUMENTATION

Carriers need not file their method for determining the rate that is based on the 5-year CMT rate with the Department. However, methodology statements shall be available for review by the Department during market conduct examinations involving annuities or at the request of the Commissioner.

The method for determining this rate need not be specified in the annuity contract unless the contract provides for redetermination.

DEPARTMENT CONTACT

Questions regarding this Bulletin should be addressed to David Sky, FSA, MAA, Life, Accident and Health Actuary via e-mail, David.Sky@ins.nh.gov.